

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re:	§	Chapter 11
	§	
W.R. GRACE & CO., et al.,	§	Jointly Administered
	§	Case No. 01-01139 (JKF)
Debtors.	§	
	§	

**FEE AUDITOR'S FINAL REPORT REGARDING
INTERIM FEE APPLICATION OF PRICEWATERHOUSECOOPERS LLP
FOR THE SEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Fee Application of PricewaterhouseCoopers LLP for the Seventh Interim Period (the "Application").

BACKGROUND

1. PricewaterhouseCoopers LLP ("PwC") was retained as independent accountants and auditors for the Debtors and Debtors in Possession. In the Application, PwC seeks approval of fees totaling \$270,097.00¹ and costs totaling \$20,047.10 for its services from October 1, 2002, through December 31, 2002.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications

¹ Actual fees reviewed for the period were \$600,217.00, as PwC bills only 45% of total fees.

for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on PwC an initial report based on our review and received a response from PwC, portions of which are quoted herein.

DISCUSSION

General Issues

3. In our initial report, we noted that while the Application requests fees totaling \$270,097.00, PwC states in its monthly summaries that this figure effectively amounts to only 45% of the billing total at standard rate. We asked PwC to explain both the basis for this adjustment and the reason it is not addressed in the Application. PwC responded as follows:

The 45% accrual rate represents our estimate for 2002 audit work based upon the fixed fee arrangement of \$915,000, exclusive of out-of-pocket expenses, that was agreed to by the W. R. Grace & Co. Audit Committee. Please refer to the excerpts from our initial application to the Court dated November 15, 2002 included below, specifically paragraph 15, where we discussed the calculation of our hourly rates related to the 2002 audit.

13. Applicant's hourly rates for its auditors and other professionals charged in connection with Applicant's services for the Debtors were commensurate with the rates Applicant customarily charged its clients (whether corporate or individual) in both bankruptcy and non-bankruptcy matters at the time the services were rendered.

14. In this case, the hourly rates PwC charged the Debtors for its professionals' services were based on the fixed fees that the audit committee of the board of directors of W.R. Grace & Co. approved in advance for PwC's 2001 and 2002 audit work. PwC examined the number of hours it actually spent on the 2001 audit work in light of the fixed fee approved in advance by W.R. Grace & Co.'s audit committee, and calculated a billing rate for each of its professionals based on the these factors.

15. For the 2002 audit work, the hourly rates were based upon the approved fixed fee and the estimated hours expected to be incurred. PwC will adjust the estimated hourly rate to the actual hourly rate at the conclusion of the 2002 audit work, and will adjust its final bill if necessary.

16. PwC would have calculated the billing rates for each of its professionals in this fashion whether the audit work were performed for a client in a bankruptcy matter or in a non-bankruptcy matter.

We appreciate PwC's explanation.

4. In our initial report, we noted that Farmer, Frick, Driscoll, Natt and Govic consistently lumped their time entries. Paragraph II.D.5. of the Guidelines states, " Services should be noted in detail and not combined or "lumped" together, with each service showing a separate time entry; ..." We requested that PwC advise these timekeepers to avoid lumping time entries in the future. PwC responded as follows:

We have advised these timekeepers to avoid lumping time entries in the future; however, due to the nature of our audit testing, it is not uncommon for PwC representatives to work on certain tasks for several consecutive hours in a given day.

We appreciate PwC's response, and we have no objection to PwC representatives working as long as necessary on any given task. However, we will continue to question entries in which multiple tasks are grouped under a single time notation.

5. We further noted that Farmer, Divito, Ryan, Cleaver, Driscoll, Anderson, Frick, Govic, Stickley, Wu, Yeager and Zartman consistently failed to provide adequate detail in their time entries. Rule 2016-2(d) Information Requirements Relating to Compensation Requests states that, "Such motion shall include activity descriptions which shall be sufficiently detailed to allow the Court to determine whether all the time, or any portion thereof, is actual, reasonable, and necessary" We asked that PwC advise these timekeepers of the need to provide sufficient

detail in their time entries. PwC's response is provided below.

We have advised these timekeepers of the need to provide sufficient detail in their time entries in the future. In order to ensure that our time reporting is in compliance, we would ask the fee auditor to provide us with the examples for the aforementioned PwC representatives whereby the time entries were not adequate.

We appreciate the response, and we will continue to work with PwC to be sure that there is a clear understanding of what constitutes adequate detail in the time entries.

6. In our initial report, we noted that most time entries throughout the Application period were entered in quarter, half or full hour increments. Paragraph II.D.5. of the Guidelines states, "[t]ime entries should be kept contemporaneously with the services rendered in time periods of tenths of an hour..." We asked PwC to advise all timekeepers to enter their time in tenths of an hour. PwC responded as follows:

We have advised all timekeepers to enter their time in tenths of an hour in the future; however, due to the nature of our audit testing, it is not uncommon for PwC representatives to work on a given tasks for several consecutive hours in a given day. As such, while it may appear that the tenths of an hour requirement is not being met by our applications, we would submit to you that we generally are in compliance with this rule.

We appreciate the response.

7. We also noted that throughout the Application period, description for travel expenses was insufficient. Paragraph II. E. of the Guidelines states, "[f]actors relevant to a determination that the expense is proper include the following: ..3. Whether applicant has provided a detailed itemization of all expenses including the date incurred, description of expense(e.g. type of travel, type of fare, rate, destination),...." We asked PwC to provide adequate detail for those expenses for which it wished to be reimbursed. Such detail should

include all relevant airfare information, duration of any hotel stay, the number of meals expensed, the number of attendees at any given meal, etc. The response is provided below.

Noted. We have revised the travel documentation policies for future applications, and have responded to your specific inquiries below.

We appreciate the response and the policy revision. Because of the systemic burden and its relative newness to the case, we did not feel it would be productive or beneficial to the estate to ask PwC to produce all of the requested travel expense detail for this interim. We will expect such detail to be included in all future applications.

Specific Time and Expense Entries

8. In our initial report, we noted that between 10/1/02 and 11/26/02, various firm members performed tasks that may not be compensable. The time spent was 49.0 hours for a total of \$9,696.00. See Exhibit A. Paragraph II. E. 7. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . . Whether the expenses appear to be in the nature of nonreimbursable overhead . . . Overhead includes word processing, proofreading, secretarial and other clerical services, . . .” Further, even if an effective argument can be made for the general compensability of these activities, the question remains as to why lower billing professionals could not have accomplished them. Paragraph, I.E. of the Guidelines states “. . . [i]n evaluating fees for professional services, it is relevant to consider . . . whether services were performed within a reasonable time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;. . .” We asked PwC

to review Exhibit A and explain why these activities should be compensable, and if they are, why they should be compensable at the level they were billed. PwC's response is provided below.

While we believe that this time incurred was necessary in order to conduct the 2002 audit of W. R. Grace & Co. for our professional staff, we are not able to improve the descriptions of the time incurred previously submitted. In the future, we will not include the time incurred for executive assistance support, such as that time provided by Alexandra Rivera, Elizabeth Coyle, Karen Huebner, Kate Burke, and Laurie Ortiz. Please note that the actual amount included in our submission for this time is \$4,363.20 (\$9,696 X 45%).

We accept PwC's explanation and thus recommend a reduction of \$4,363.20 in fees.

9. In our initial report, we noted that on October 17, 2002 Jason Natt and Cheryl Frick participated in a conference call with Davison. The time spent was 8.0 hours for a total of \$3,044.00. The time entries are provided below. Paragraph II.D.5. of the Guidelines states, "...[i]f more than one professional from the applicant firm attends a hearing or conference, the applicant should explain the need for multiple attendees." We asked PwC to review the entries and explain why it was necessary for more than one to participate in this call.

10/17/02	Jason Natt	4.0	\$1,788	...Davison Q3 2002 earnings call
10/17/02	Cheryl Frick	4.0	\$1,256	...Davison Q3 2002 earnings call

PwC responded as follow:

It is customary for more than one PwC representative be present at the quarterly earnings calls, as has been our practice both before and after the bankruptcy. Multiple attendees attend these meetings in order to ensure that we obtain a sufficient understanding of the changes to the business and control environment, as well as to ensure that our documentation is in compliance with generally accepted auditing standards (GAAS) with respect to our quarterly reviews. These requirements can only be met with two PwC representatives in attendance at the quarterly earnings calls.

We accept the explanation and have no objection to these fees.

10. In our initial report, we noted that between October 17 and October 28, 2002, Joe Divito and Cheryl Frick billed for tasks that could be viewed as unnecessary without further explanation of their purpose. The time spent was 5.5 hours for a total of \$2,721.00. The entries are provided below. Paragraph I.E. of the Guidelines states “. . . In evaluating fees for professional services, it is relevant to consider . . . whether the services were necessary to the administration of, or beneficial towards the completion of, the case at the time they were rendered; . . .” We asked PwC to review the entries and explain how these activities benefitted the estate.

10/28/02	Joe Divito	1.5	\$1,151	Partner review and meeting with Larry Farmer to discuss controls work
10/17/02	Cheryl Frick	5.0	\$1,570	de-brief with Cheryl Frick to discuss the results of the Davison Q3 earnings call

PwC's response is provided below.

Joseph DiVito is the partner in charge of all computer based testing performed on the Grace engagement, including tests of system controls. Larry Farmer is the partner in charge of the entire audit process. According to the AICPA United States Auditing Standards AU 319 Consideration of Internal Control in a Financial Statement Audit, “In all audits, the auditor should obtain an understanding of internal control sufficient to plan the audit by performing procedures to understand the design of controls relevant to an audit of financial statements, and whether they have been placed in operation.” Joseph DiVito was providing Larry Farmer with such information in order to facilitate the audit planning process.

As for the time noted in your inquiry for Cheryl Frick, her time was inappropriately classified. Cheryl documented the results of the earnings call on our quarterly review. She reviewed financial information, provided by Grace during the call, for consistency and performed substantive analytical procedures on the data obtained from the earnings call.

We appreciate PwC's explanation and have no objection to these fees.

11. We further noted that between October 3, 2002 and November 25, 2002, entries for multiple firm members might be objectionable because the work performed appears to be a duplication of effort, e.g. 15 professionals reviewing 3Q matters for W.R. Grace. Even if the work is not purely duplicative, it appears that some firm members performed the same tasks at substantially different hourly rates. The time spent was 339.6 hours for a total of \$135,461.00. See Exhibit B. Paragraph I.E. of the Guidelines states, “. . . [i]n evaluating fees for professional services, it is relevant to consider various factors including the following: the time spent; the rates charged; ... whether services were performed within a reasonable time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;. . . .” We asked PwC to review Exhibit B and explain why these tasks appear to show a duplication of effort and why the same tasks appear to have been performed by professionals billing at substantially different rates. PwC responded as follows:

Refer to our adjusted Exhibit B² attached to this memo, to better reflect the time incurred in this time frame for your review. As you will see, 13 professionals incurred 254 hours. This time incurred is consistent with our historical time investment on 10-Q filings. As for the number of professionals included, this results principally from the composition of Grace's business, as we have two separate teams in Columbia, Maryland (for Davison Chemicals and Corporate work), one in Cambridge, Massachusetts (for Performance Chemicals), and one in Boca Raton, Florida (for tax review). These separate teams are necessary in order to align our audit with the Company's structure.

We appreciate PwC's response. To the accounting layman, many of the time entries surrounding the 10-Q filing still appear redundant if not purely duplicative. We do not presume to tell PwC how to

² Referenced in this report as Response Exhibit 1.

run an audit, though in future applications, we would appreciate as much delineation of detail and explanation of individual expertise as possible. We have no objection to these fees.

12. In our initial report, we noted that on December 6, 2002, Farmer and Weir traveled to the Grace Financial Conference. The time spent was 5.2 hours for a total of \$2,283.40. The entries are listed below. Rule 2016-2(d)(viii) states, “[t]ravel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates.” We asked PwC to review the time entries and explain why these professionals charged this time at their full hourly rates.

12/6/02	Farmer	2.2	\$1,500.40	Attend Financial Conference, Including Travel Time
12/6/02	Weir	3.0	\$783.00	Travel home from Washington DC. To Pittsburgh

The response is provided below.

As noted in our application and our first response to the Inquiry, all of our rates are billed at 45% of regularly hourly rates. Travel time during business hours is also billed at 45% of regular hourly rates.

We appreciate the response and have no objection to these fees.

13. We noted that between December 3 and December 30, 2002 various firm members performed tasks that may not be compensable. The time spent was 15.4 hours for a total of \$4,043.58. See Exhibit C. Paragraph II. E. 7. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . . Whether the expenses appear to be in the nature of nonreimbursable overhead . . . Overhead includes word processing, proofreading, secretarial and other clerical services,” We asked PwC to review Exhibit C and to explain why these amounts should be compensable. PwC’s response is provided below.

While we believe that this time incurred was necessary in order to conduct the 2002 audit of W. R. Grace & Co. for our professional staff, we are not able to improve the descriptions of the time incurred previously submitted. Please note that the actual amount included in our submission for this time is \$1,819.61 (\$4,043.58 X 45%).

We accept PwC's explanation and thus recommend a reduction of \$1,819.61 in fees.

14. On December 6, 2002, Farmer, Ryan, and Natt attended a financial conference for Grace. The time spent was 10.2 hours for a total of \$5,376.40. The entries are provided below. Paragraph II.D.5. of the Guidelines states, “. . . [i]f more than one professional from the applicant firm attends a hearing or conference, the applicant should explain the need for multiple attendees.” We requested that PwC review the entries below and explain why it was necessary for more than one to attend this conference.

12/6/02	Farmer	2.2	\$1,500.40	Attend Financial Conference, Including Travel Time
12/6/02	Ryan	4.0	\$2,088.00	Attend Grace Financial Conference
12/6/02	Natt	4.0	\$1,788.00	Attend Grace Financial Conference

PwC responded as follows:

Grace management had requested Mr. Farmer, Mr. Natt and Mr. Ryan all attend the Financial Leadership Conference, as all three were a part of the overall PwC presentation. The three men were asked to speak on behalf of PwC at the conference and were included in the conference agenda. Many of the representatives were from Grace's foreign subsidiaries, and would have significant influences on audit and financial reporting processes in those areas.

We appreciate the response and thus have no objection to these fees.

15. In our initial report, we noted that between December 2 and December 31, 2002, various firm members spent substantial time on tasks related to “coaching”. The time spent was 19.9 hours for a total of \$5,057.55. See Exhibit D. Paragraph I.E. of the Guidelines I.E. states “. . . In

evaluating fees for professional services, it is relevant to consider . . . whether the services were necessary to the administration of, or beneficial towards the completion of, the case at the time they were rendered; . . .” We asked PwC to review Exhibit D and explain how these coaching activities directly benefitted the estate rather than PwC itself. The PwC response is provided below.

“Coaching” is a term that PwC uses to describe its review and supervision of subordinates work. Per the AICPA Statement of Auditing Standards AU 310 Planning and Supervision “Supervision involves directing the efforts of assistants who are involved in accomplishing the objectives of the audit and determining whether those objectives were accomplished. Elements of supervision include instructing assistants, keeping informed of significant problems encountered, reviewing the work performed and dealing with differences of opinion among firm personnel. The extent of supervision appropriate in a given instance depends on many factors, including the complexity of the subject matter, and the qualifications of persons performing the work.”

We appreciate the response and have no objection to these fees.

16. Between November 8 and November 22, 2002, Cheryl Frick, Dan Weir, Joseph Divito, Maureen Driscoll, and Craig Cleaver list airfare expenses that lack sufficient detail. The total spent was \$4,833.58. Paragraph II. E. 3. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . .3. [w]hether applicant has provided a detailed itemization of all expense including the date incurred, description of expense (e.g., type of travel, type of fare, rate, destination), method of computation, and where relevant, name of the person incurring the expense and purpose of the expense. . . .” The entries are listed below.

11/12/02	Cheryl Frick	\$1,609.08	Flight to Libby, MT
11/18/02	Dan Weir	965.00	Flight to Boston
11/08/02	Joseph Divito	842.50	Flight to Baltimore

11/22/02	Maureen Driscoll	758.50	Flight to Boston
11/19/02	Craig Cleaver	658.50	Flight to Boston

We asked PwC to forward the necessary documentation, including and especially the class of travel, so that we may properly assess the reasonableness of these expenses. The response is provided as Response Exhibit 2. We appreciate the response and have no objection to these expenses.

17. In our initial report we noted that between November 8 and November 21, 2002, various firm members incurred meal expenses that may be excessive. The expense entries are listed below. With regard to expenses, Paragraph II. E. 3. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . . 3. [w]hether applicant has provided a detailed itemization of all expense including the date incurred, description of expense (e.g., type of travel, type of fare, rate, destination), method of computation, and where relevant, name of the person incurring the expense. . . .”

11/20/02	Maureen Driscoll	\$120.28	Dinner
11/21/02	Maureen Driscoll	\$ 68.44	Dinner
11/18/02	Craig Cleaver	\$ 42.50	Dinner

We asked Pwc to review the listed entries and provide any documentation to support the reasonableness of each expense. PwC responded as follows:

We have received clarification from the individuals listed above that the dinners charged while traveling were for more than one individual:

11/20/02 Maureen Driscoll \$120.28, this meal was for by Daniel Weir, Maureen Driscoll, Craig Cleaver and a W.R. Grace representative.

11/21/02 Maureen Driscoll \$68.44, this meal was for by Daniel Weir, Maureen Driscoll and Craig Cleaver while the three were traveling together.

11/18/02 Craig Cleaver \$42.50, this meal was for by Daniel Weir, as the two were traveling together.

In future expense reporting to the courts, we will include more detail regarding the meal attendees and the nature of the meal.

We appreciate the response and have objection to these expenses.

18. We further noted that on October 30, 2002, Nina Govi shows a mileage expense that appears excessive without additional, supporting information. Paragraph II. E. 3. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . . 3. [w]hether applicant has provided a detailed itemization of all expense including the date incurred, description of expense (e.g., type of travel, type of fare, rate, destination), method of computation, and where relevant, name of the person incurring the expense and purpose of the expense. . .”

10/30/02 Nina Govi \$1,732.84 Mileage to client site

We asked PwC to review the entry and provide the necessary documentation to support the reasonableness of the expense. PwC’s response is provided below.

We believe you are referencing Nina Govic’s expense of \$1,732.84 on October 30, 2002. This was mistakenly classified as mileage. The expense was incurred for a plane ticket from Washington, DC to Lake Charles, LA to observe inventory procedures at the Grace Catalyst plant in Lake Charles, LA. The employee flew coach to the site and returned the following day after completion of the inventory observation. Copies of bills can be supplied regarding this matter if needed.

We appreciate the explanation and have no objection to this expense.

19. In our initial report, we noted that on November 21, 2002, Dan Weir lists lodging expenses that may be considered excessive without additional information. The total spent was \$1,075.98. The entry is provided below. Paragraph II. E. 3. of the Guidelines states, “[f]actors relevant to a determination that the expense is proper include the following: . . . 3. [w]hether applicant has provided a detailed itemization of all expense including the date incurred, description of expense (e.g., type of travel, type of fare, rate, destination), method of computation, and where relevant, name of the person incurring the expense and purpose of the expense. . .”

11/21/02	Dan Weir	\$1,075.98	Cambridge Lodging
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We asked PwC to review the entry and provide sufficient documentation, including number of nights lodging, so that we can properly review the expense. PwC responded as follows:

Lodging expenses were for five nights hotel stay and included two meals at the hotel.
Copies of bills can be supplied regarding this matter if needed.

We accept the response and have no objection to these expenses.

20. We last noted that between December 10 and December 12, 2002, Stickley and Zartman incurred expenses that may not be reimbursable. The total spent was \$96.65. The entries are listed below. U.S. Bankruptcy Code §330 (4)(A)(ii)(I) provides that, “(4)(A) Except as provided in subparagraph (B), the court shall not allow compensation for – . . . (ii) services that were not – (I) reasonably likely to benefit the debtor’s estate;”

12/10/02	Stickley	\$21.83	Supplies for WR Grace Christmas Party
12/10/02	Stickley	\$21.52	Supplies for WR Grace Christmas Party
12/10/02	Stickley	\$26.82	Overtime Meal for engagement team

12/12/02	Zartman	\$26.48	Supplies for WR Grace Christmas Party
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We asked PwC to review the entries and explain how these party supplies benefitted the bankruptcy estate. PwC's response is provided below.

We agree with the courts that the following expenses were not reimbursable and should be removed from our fee calculation:

12/10/02	Stickley	\$21.83	Supplies for WR Grace Christmas Party
12/10/02	Stickley	\$21.52	Supplies for WR Grace Christmas Party
12/12/02	Zartman	\$26.48	Supplies for WR Grace Christmas Party

for a total fee reduction of \$69.83

The meal for \$26.82 charged by Aimee Stickley was for dinner for the Columbia, MD engagement team including Cheryl Frick, Nina Govic, Jason Natt, Jeff Zartman and Maureen Yeager.


We appreciate the response and thus recommend a reduction of \$69.83 in expenses.

CONCLUSION

21. Thus we recommend approval of fees totaling \$263,914.19 (\$270,097.00 minus \$6,182.81) and costs totaling \$19,977.27 (\$20,047.10 minus \$69.83) for PwC's services from October 1, 2002, through December 31, 2002.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 7th day of April 2003.

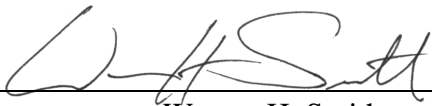

Warren H. Smith

Exhibit A

Aimee Stickley	10/1/02	1.5	Time tracking spreadsheet for bankruptcy reporting	213	319.50
Aimee Stickley	10/2/02	1.0	WIP v. budget analysis and bankruptcy time tracking	213	213.00
Aimee Stickley	10/3/02	1.0	WIP v. budget analysis and bankruptcy time tracking	213	213.00
Aimee Stickley	10/4/02	8.0	Corporate Admin work including clearing up Corporate's external files, adding Jason Natt's files to the external working papers and some timetracking for bankruptcy proceedings	213	1704.00
Aimee Stickley	10/7/02	1.5	WIP v. budget analysis and bankruptcy time tracking	213	319.50
Aimee Stickley	10/8/02	1.5	WIP v. budget analysis and bankruptcy time tracking	213	319.50
Aimee Stickley	10/15/02	2.5	Bankruptcy time tracking	213	532.50
Aimee Stickley	10/16/02	0.5	Updating the partner biography list and updating lists of international partners	213	106.50
Aimee Stickley	10/16/02	1.5	Corporate Administrative work	213	319.50
Aimee Stickley	10/17/02	8.0	Organization of corporate audit files	213	1704.00
Aimee Stickley	10/18/02	2.0	Corporation Administrative work	213	426.00
Aimee Stickley	11/11/02	0.5	Corporate Administrative - Prepare Expense Reports for Bankruptcy Files	213	106.50
Alexandra Rivera	11/4/02	0.5	Administrative Assistance	112	56.00
Elizabeth Coyle	10/22/02	0.5	Administrative assistance	112	56.00
Elizabeth Coyle	11/24/02	0.5	Administrative Assistance	112	56.00
Elizabeth Noone	10/31/02	4.5	Making copies of 2001 Performance Chemicals workpapers for Internal Audit review	185	832.50
Fran Schlosser	10/15/02	0.2	Administrative-Q3	470	94.00
Fran Schlosser	10/16/02	0.3	Administrative-Q3	470	141.00
Fran Schlosser	10/17/02	0.2	Administrative-Q3	470	94.00
Karen Huebner	10/18/02	1.0	Administrative assistance	120	120.00
Kate Burke	10/8/02	0.5	Administrative assistance	121	61.00
Kate Burke	10/22/02	3.3	Administrative assistance	121	399.00
Kate Burke	11/5/02	1.0	Administrative Assistance	112	112.00
Kate Burke	11/6/02	1.0	Administrative Assistance	112	112.00
Kate Burke	11/12/02	1.0	Administrative Assistance	112	112.00
Kate Burke	11/22/02	0.2	Administrative Assistance	112	22.00
Kate Burke	11/26/02	0.5	Administrative Assistance	112	56.00
Larry Farmer	10/11/02	1.0	Administrative work	682	682.00
Laurie Ortiz	11/4/02	3.0	Administrative Assistance	112	336.00
Renee Anderson	11/22/02	0.3	Administrative Assistance	235	71.00

Exhibit B

273.1 hours and \$106,579. Duplicate effort: 3rd Q Review by 15 professionals.
(Too many timekeepers to list).

Andy MacWilliams	10/16/02	2.0	Partner review and quarterly review work on Performance Chemicals and Darex Puerto Rico	682	1,364.00
Andy MacWilliams	10/20/02	2.0	Partner review and quarterly review work on Performance Chemicals and Darex Puerto Rico	682	1,364.00
Cheryl Frick	10/14/02	8.5	Grace 3rd Quarter work	314	2,669.00
Cheryl Frick	10/15/02	8.5	Grace 3rd Quarter work	314	2,669.00
Cheryl Frick	10/16/02	5.5	Grace 3rd Quarter work	314	1,727.00
Cheryl Frick	10/18/02	2.5	Grace 3rd Quarter work	314	785.00
Cheryl Frick	10/21/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	10/22/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	10/23/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	11/04/02	3.0	Quarterly Review	314	942.00
Cheryl Frick	11/07/02	5.0	Quarterly Review	314	1,570.00
Cheryl Frick	11/11/02	3.0	Quarterly Review	314	942.00
Cheryl Frick	11/12/02	3.5	Quarterly Review	314	1,099.00
David Ryan	10/16/02	1.0	Quarterly review	522	522.00
David Ryan	10/18/02	1.0	Quarterly review	522	522.00
David Ryan	10/21/02	7.0	Quarterly review	522	3,654.00
David Ryan	10/23/02	4.0	Quarterly review	522	2,088.00
David Ryan	10/24/02	2.0	Quarterly review	522	1,044.00
David Ryan	11/06/02	8.0	Quarterly Review	522	4,176.00
David Ryan	11/12/02	2.0	Quarterly Review	522	1,044.00
Derek Nance	11/06/02	11.0	Quarterly Review-Performance Chemicals	185	2,035.00
Elizabeth Noone	10/31/02	3.0	3rd quarter 10Q tie out	185	555.00
Fran Schlosser	10/12/02	0.5	Review of financial statements-Darex Puerto Rico	470	235.00
Fran Schlosser	10/14/02	2.0	Review of financial statements-Darex Puerto Rico	470	940.00
Fran Schlosser	10/14/02	3.0	Consolidation work - Darex Puerto Rico	470	1,410.00
Fran Schlosser	10/16/02	1.0	Consolidation work - Darex Puerto Rico	470	470.00
Fran Schlosser	10/17/02	0.2	Consolidation work - Darex Puerto Rico	470	94.00
Fran Schlosser	10/18/02	5.5	Q3 Earnings meeting	470	2,585.00
Fran Schlosser	10/18/02	1.0	Consolidation work - Darex Puerto Rico	470	470.00
Fran Schlosser	10/21/02	2.0	Q3 fluctuation analysis and review of audit work performed.	470	940.00
Fran Schlosser	10/24/02	1.0	Q3 fluctuation analysis and review of audit work performed.	470	470.00
Fran Schlosser	10/24/02	0.5	Review of financial statements-Darex Puerto Rico	470	235.00
Fran Schlosser	10/25/02	2.3	Review of financial statements-Darex Puerto Rico	470	1,081.00
Fran Schlosser	10/25/02	0.9	Consolidation work - Darex Puerto Rico	470	423.00
Fran Schlosser	10/27/02	1.2	Review of financial statements-Darex Puerto Rico	470	564.00
Fran Schlosser	10/29/02	1.0	Review of financial statements-Darex	470	470.00

			Puerto Rico		
Fran Schlosser	11/6/02	1.0	Review of WR Grace's Financial Statements-Darex Puerto Rico	470	470.00
Fran Schlosser	11/09/02	0.3	Preparation of the Flux Analysis and Review of the Results-Darex Puerto Rico	470	141.00
Fran Schlosser	11/11/02	0.2	Preparation of the Flux Analysis and Review of the Results-Darex Puerto Rico	470	94.00
Jason Natt	10/14/02	8.0	Q3 2002 review work and discussions with Nina Govic and Cheryl Frick	447	3,576.00
Jason Natt	10/15/02	4.5	Q3 2002 review work and discussions with Nina Govic and Cheryl Frick	447	2,011.50
Jason Natt	10/16/02	8.5	review of Q3 2002 quarter work	447	3,799.50
Jason Natt	10/18/02	4.0	Q3 2002 review work and discussions with Nina Govic and Cheryl Frick	447	1,788.00
Jason Natt	10/21/02	5.0	Q3 2002 review work and discussions with Cheryl Frick	447	2,235.00
Jason Natt	10/22/02	4.5	Review of Q3 2002 press release	447	2,011.50
Jason Natt	10/23/02	3.5	Review and documentation of Q3 2002 work and audit committee call	447	1,564.50
Jason Natt	10/30/02	5.5	Review of Grace Q3 2002 10-Q	447	2,458.50
Jason Natt	10/31/02	5.0	Review of Grace Q3 2002 10-Q	447	2,235.00
Jason Natt	11/11/02	8.0	10-Q review	447	3,576.00
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Larry Farmer	11/01/02	2.0	Review 3rd Quarter 10Q	682	1,364.00
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Michelle Gerety	10/21/02	0.5	Review of Q3 tax provision	553	276.50
Nina Govic	10/14/02	6.0	Q3 review of prior quarter to prepare for the upcoming quarterly reivev and to get acquaiated with the database and the standard procedures performed.	273	1,638.00
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Nina Govic	10/18/02	8.0	Q3 Test of details and review	273	2,184.00
Nina Govic	10/22/02	8.0	Q3 Test of details and review	273	2,184.00
Nina Govic	10/23/02	8.5	Q3 Test of details and review	273	2,320.50
Nina Govic	10/24/02	8.0	Q3 Test of details and review	273	2,184.00
Nina Govic	10/25/02	2.0	Q3 Test of details and review	273	546.00
Nina Govic	10/25/02	6.0	Tie out of quarterly financial information for press release	273	1,638.00
Pam Schlosser	10/16/02	0.5	National office consultation regarding Grace's third quarter 10-Q with Dave Ryan	990	495.00
Peter Woolf	11/1/02	3.0	Review of the 3Q 2002 tax provision	733	2,199.00
Ray Bromark	10/22/02	1.0	Concurring partner review and sign off of 3rd quarter audit work	142	1,422.00
Ray Bromark	11/15/2002	1.0	Review 3rd Quarter 10Q	142	1,422.00
Sandra David	10/18/02	1.0	Quarterly review	447	447.00

1.0 hour and \$926. Pension related matters. (Jay Seliber,\$1,113; Steve Heindel,\$737).

Jay Seliber	10/22/02	0.5	Meeting to discuss disclosures of pension-related matters with Jason Natt. Jay is a partner in the National office Accounting Consulting Services group.	1113	557.00
Steve Heindel	10/15/02	0.5	Meeting with Jason Natt to discuss pension and OPEB matters regarding Grace.	737	369.00

10.0 hours and \$4,539.50. Planning team audits. (Fran Schlosser,\$470; Sandra David, \$447).

Fran Schlosser	10/3/02	3.0	Mobilization and coordination of Grace internal audit team	470	1,410.00
Sandra David	11/25/02	1.5	Mobilization of the Team for the Audit	447	671.00
Sandra David	10/9/02	0.5	Team mobilization and planning	447	223.50
Sandra David	10/10/02	5.0	Team mobilization and planning	447	2,235.00

27.0 hours and \$9,465. Systems work. (Joseph Divito, \$767;Maureen Driscoll,\$389; Douglas Hut,\$208)

Joseph Divito	11/06/02	1.0	GRMS General and Administrative	767	767.00
Joseph Divito	11/12/02	1.0	GRMS General and Administrative	767	767.00
Joseph Divito	11/25/02	1.0	GRMS General and Administrative	767	767.00
Maureen Discoll	11/11/02	6.0	GRMS General and Administrative	389	2,334.00
Maureen Discoll	11/18/02	2.0	GRMS General and Administrative	389	778.00
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Douglas Hut	11/11/02	4.0	GRMS General and Administrative	208	832.00
Douglas Hut	11/13/02	2.0	GRMS General and Administrative	208	416.00
Douglas Hut	11/15/02	6.0	GRMS General and Administrative	208	1,248.00

28.5 hours and \$13,951.50. Documentation of site visits. (Tom Kalinosky,\$639;Alexandre Rossin,\$426).

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Tom Kalinosky	11/27/02	0.5	Documentation of Memphis and Libby Visits	639	319.50
Alexandre Rossin	11/15/02	2.0	Documentation of Memphis and Libby Visits	426	852.00
Alexandre Rossin	11/26/02	8.0	Documentation of Memphis and Libby Visits	426	3,408.00
Alexandre Rossin	11/27/02	8.0	Documentation of Memphis and Libby Visits	426	3,408.00
Alexandre Rossin	11/28/02	2.0	Documentation of Memphis and Libby Visits	426	852.00

Exhibit C

12/03/02	Driscoll, M.	0.5	Grace admin - set up timesheet for GRMS tracking	389	194.50
12/04/02	Driscoll, M.	0.3	Grace admin - timesheet for associate	389	97.25
12/09/02	Driscoll, M.	0.5	Grace admin - timesheet	389	194.50
12/30/02	Weir, D.	1.0	Introduced performance appraisal	261	261.00
12/11/02	Schlosser, F.	1.0	Time reports for October/November	470	470.00
12/04/02	Frick C.	1.0	Davison Chemicals Administration (Organizing Files, etc.)	314	314.00
12/06/02	Govic, N.	0.5	Grace Administration (Organizing Files, etc.)	273	136.50
12/09/02	Govic, N.	1.0	Time and Expense Tracking	273	273.00
12/02/02	Govic, N.	1.0	Grace Administration (Organizing Files, Set up the Database, etc.)	273	273.00
12/03/02	Govic, N.	0.5	Grace Administration (Organizing Files, etc.)	273	136.50
12/12/02	Govic, N.	0.5	Grace Administration (Organizing Files, etc.)	273	136.50
12/20/02	Govic, N.	0.3	General and Administrative Database Clean-up Work	273	68.25
12/04/02	Stickley, A.	0.3	Clean-up the Database	213	63.90
12/09/02	Stickley, A.	0.5	Clean-up the Davison Chemicals Database	213	106.50
12/10/02	Stickley, A.	1.0	Coordinating Dinner for the Team	213	213.00
12/06/02	Zartman, J.	1.3	Grace Administration (Organizing Files, etc.)	213	266.25
12/09/02	Zartman, J.	1.3	Grace Administrative (Organizing Files, etc.)	213	283.93
12/03/02	Yeager, M.	2.0	Grace Administrative (Organizing files, Preparation of timesheets for Bankruptcy Reporting, etc.)	185	370.00
12/10/02	Yeager, M.	1.0	Coordinating the Team Dinner	185	185.00

Exhibit D

12/18/02	Govic, N.	1.0	Coaching Maureen Yeager on the Bankruptcy Court Reporting - Expense and Time Tracking	273	273.00
12/20/02	Govic, N.	0.8	Coaching Maureen Yeager	273	204.75
12/02/02	Stickley, A.	1.0	Coaching Maureen Yeager on the Audit Procedures	213	213.00
12/04/02	Stickley, A.	1.2	Coaching Maureen Yeager on the Audit Procedures	213	255.60
12/05/02	Stickley, A.	0.5	Coaching Maureen Yeager on the Audit Procedures	213	106.50
12/09/02	Stickley, A.	0.3	Coaching Maureen Yeager on the Audit Procedures	213	63.90
12/13/02	Stickley, A.	0.6	Coaching Maureen Yeager on the Audit Procedures	213	127.80
12/02/02	Yeager, M.	1.0	Coaching from Aimee Stickley on the Audit Procedures to be Performed During Interim Testing	185	185.00
12/04/02	Yeager, M.	1.2	Coaching from Aimee Stickley on the Audit Procedures to be Performed	185	222.00
12/05/02	Yeager, M.	0.5	Coaching from Aimee Stickley on the Tasks to be Performed for the Day	185	92.50
12/09/02	Yeager, M.	0.3	Coaching from Aimee Stickley on the Audit Procedures to be Performed	185	55.50
12/17/02	Yeager, M.	1.0	Coaching from Nina Govic on the Bankruptcy Court Reporting - Expense and Time Tracking	185	185.00
12/18/02	Yeager, M.	1.0	Coaching from Nina Govic on the Bankruptcy Court Reporting - Expense and Time Tracking	185	185.00
12/19/02	Yeager, M.	0.5	Coaching from Aimee Stickley on the Preparation of the AR Aging	185	92.50
12/05/02	Frick C.	0.5	Davison Chemicals Coaching	314	157.00

Response Exhibit 1

Work performed in connection the the statutory audit of Darex Puerto Rico

Andy MacWilliams	10/16/02	2.0	Partner review and quarterly review work on Performance Chemicals and Darex Puerto Rico	682	1,364.00
Andy MacWilliams	10/20/02	2.0	Partner review and quarterly review work on Performance Chemicals and Darex Puerto Rico	682	1,364.00
Fran Schlosser	10/12/02	0.5	Review of financial statements-Darex Puerto Rico	470	235.00
Fran Schlosser	10/14/02	2.0	Review of financial statements-Darex Puerto Rico	470	940.00
Fran Schlosser	10/14/02	3.0	Consolidation work - Darex Puerto Rico	470	1,410.00
Fran Schlosser	10/16/02	1.0	Consolidation work - Darex Puerto Rico	470	470.00
Fran Schlosser	10/17/02	0.2	Consolidation work - Darex Puerto Rico	470	94.00
Fran Schlosser	10/18/02	1.0	Consolidation work - Darex Puerto Rico	470	470.00
Fran Schlosser	10/24/02	0.5	Review of financial statements-Darex Puerto Rico	470	235.00
Fran Schlosser	10/25/02	2.3	Review of financial statements-Darex Puerto Rico	470	1,081.00
Fran Schlosser	10/25/02	0.9	Consolidation work - Darex Puerto Rico	470	423.00
Fran Schlosser	10/27/02	1.2	Review of financial statements-Darex Puerto Rico	470	564.00
Fran Schlosser	10/29/02	1.0	Review of financial statements-Darex Puerto Rico	470	470.00
Fran Schlosser	11/6/02	1.0	Review of WR Grace's Financial Statements-Darex Puerto Rico	470	470.00
Fran Schlosser	11/09/02	0.3	Preparation of the Flux Analysis and Review of the Results-Darex Puerto Rico	470	141.00
Fran Schlosser	11/11/02	0.2	Preparation of the Flux Analysis and Review of the Results-Darex Puerto Rico	470	94.00
				19.	9825.0
				1	

Work performed in connection with the 3Q review.

Cheryl Frick	10/14/02	8.5	Grace 3rd Quarter work	314	2,669.00
Cheryl Frick	10/15/02	8.5	Grace 3rd Quarter work	314	2,669.00
Cheryl Frick	10/16/02	5.5	Grace 3rd Quarter work	314	1,727.00
Cheryl Frick	10/18/02	2.5	Grace 3rd Quarter work	314	785.00
Cheryl Frick	10/21/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	10/22/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	10/23/02	9.0	Grace 3rd Quarter work	314	2,826.00
Cheryl Frick	11/04/02	3.0	Quarterly Review	314	942.00
Cheryl Frick	11/07/02	5.0	Quarterly Review	314	1,570.00
Cheryl Frick	11/11/02	3.0	Quarterly Review	314	942.00
Cheryl Frick	11/12/02	3.5	Quarterly Review	314	1,099.00
David Ryan	10/16/02	1.0	Quarterly review	522	522.00
David Ryan	10/18/02	1.0	Quarterly review	522	522.00
David Ryan	10/21/02	7.0	Quarterly review	522	3,654.00
David Ryan	10/23/02	4.0	Quarterly review	522	2,088.00
David Ryan	10/24/02	2.0	Quarterly review	522	1,044.00
David Ryan	11/06/02	8.0	Quarterly Review	522	4,176.00
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Fran Schlosser	10/21/02	2.0	Q3 fluctuation analysis and review of audit work performed.	470	940.00
Fran Schlosser	10/24/02	1.0	Q3 fluctuation analysis and review of audit work performed.	470	470.00
Jason Natt	10/14/02	8.0	Q3 2002 review work and discussions with Nina Govic and Cheryl Frick	447	3,576.00
Jason Natt	10/15/02	4.5	Q3 2002 review work and discussions with Nina Govic and Cheryl Frick	447	2,011.50
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Ray Bromark	10/22/02	1.0	Concurring partner review and sign off of 3rd quarter audit work	1 4 2	1,422.00
Ray Bromark	11/15/2002	1.0	Review 3rd Quarter 10Q	1 4 2	1,422.00
Sandra David	10/18/02	1.0	Quarterly review	447	447.00
		254			\$
		.0			96,754.0
1.0 hour and \$926. Pension related matters. (Jay Seliber,\$1,113; Steve Heindel,\$737).					
Jay Seliber	10/22/02	0.5	Meeting to discuss disclosures of pension-related matters with Jason Natt. Jay is a partner in the National office Accounting Consulting Services group.	1 1 1	557.00
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Response Exhibit 2

All five of the flights listed above were flown in coach class. The following is an extended description of the purpose of each trip and the relevance to the audit. Copies of bills can be supplied regarding this matter if needed.

Cheryl Frick – 11/12/02 Flight to Libby, Montana from Baltimore, MD. Libby is the former site of a W.R. Grace vermiculite mine. The mine is naturally contaminated with asbestos-related substances. W.R. Grace has and will continue to incur a large liability relating to clean-up costs associated with the Libby mine. Ms. Frick visited Libby with an environmental specialist to assess the Libby site in connection with our 2002 environmental review.

Daniel Weir – 11/18/02 flight to Boston. Mr. Weir travelled to Cambridge, MA to perform a preliminary assessment on computer controls at the W.R. Grace Performance Chemicals division located there. Daniel Weir was present in Boston to assist Maureen Driscoll in testing. The flight was a roundtrip flight from Philadelphia (Mr. Weir's home) to Boston.

Joseph DiVito -- 11/8/02 flight to Baltimore. Mr. DiVito flew from his home in Pittsburgh to W.R. Grace's corporate headquarters in Columbia, MD. Mr. DiVito is the partner in charge of computer related testing. The reason for his travels related to the assessment of his team's preliminary control findings and a briefing meeting with, Mr. Farmer, the audit team partner about the control environment at W.R. Grace.

Maureen Driscoll – 11/22/02 flight to Boston. Ms. Driscoll traveled to Cambridge, MA to perform a preliminary assessment on computer controls at the Grace Performance Chemicals division located there. The flight was a roundtrip fare from Ms. Driscoll's home in Philadelphia to Boston, MA.

Craig Cleaver – 11/19/02 flight to Boston. Mr. Cleaver traveled to Cambridge, MA to perform a preliminary assessment on computer controls at the W.R. Grace Performance Chemicals division located there. Mr. Cleaver was in Boston to review Maureen Driscoll's work. The flight was a roundtrip fare from Mr. Cleaver's home in Philadelphia to Boston, MA.

SERVICE LIST

Notice Parties

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